

Message Text

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SUBJECT: U.S. BANKERS' ATTITUDES TOWARD MEXICO

1. INTRODUCTION AND SUMMARY. THE MEXICAN BANKERS' CONVENTION IN MID-MARCH BROUGHT TOGETHER A NUMBER OF U.S. BANKERS AND PROVIDED AN OPPORTUNITY TO ASSESS THEIR VIEWS ON LENDING TO MEXICO. THESE APPEAR TO BE AS FOLLOW:

(A) OPTIMISM OVER THE MEDIUM-TERM OUTLOOK FOR MEXICO.

(B) CONCERN THAT ACTIONS BY USG BANK REGULATORY AGENCIES WILL DEPRIVE U.S. BANKS OF THEIR SHARE IN THIS MARKET.

(C) AN INCREASING INTEREST IN LENDING TO THE PRIVATE SECTOR IN MEXICO.

2. REGARDING (A), THE CHANGE IN THE ATTITUDE OF BANKERS TOWARD MEXICO OVER THE COURSE OF THE PAST YEAR HAS BEEN REMARKABLE. WHEREAS A YEAR EARLIER, U.S. BANKERS WERE CONCERNED ABOUT THEIR MONEY HERE, AND WHILE KNOWING THEY
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COULD NOT REDUCE THEIR EXPOSURE WERE VERY RELUCTANT TO INCREASE IT, NOW THE BANKERS ARE STUMBLING OVER EACH OTHER TRYING TO GET MEXICAN BUSINESS. THEY READILY ADMITTED THE CHANGE OF HEART AND MORE THAN ONE CALLED BANKERS A FICKLE LOT. THE INCREASED INTEREST IN MEXICO RESULTED IN PART FROM BANKS' LIQUIDITY, BUT ALSO BECAUSE MEXICO LOOKS BETTER THAN MOST OTHER POTENTIAL BORROWERS IN THE DEVELOPING WORLD.

THIS REFLECTS THE ABILITY OF THE GOM TO IMPOSE AN APPARENTLY SUCCESSFUL STABILIZATION PROGRAM COUPLED WITH THE PROSPECT OF OIL EXPORTS AVOIDING ANY FOREIGN EXCHANGE CRUNCH IN THE MEDIUM TERM. (NOT WITHOUT REASON, THE FEATURED SPEAKER IN THE CLOSING SESSION WAS THE FINANCE DIRECTOR OF PEMEX RATHER THAN A FOREIGNER WHICH IS TRADITIONAL.)

3. THE MAJOR PREOCCUPATION OF U.S. BANKERS WAS THE PROPOSED RULING BY THE COMPTROLLER OF THE CURRENCY ON U.S. NATIONAL BANK LENDING TO FOREIGN GOVERNMENTS AND THEIR AGENCIES. BANKERS EXPRESSED CONCERN THAT THIS WOULD CURTAIL THEIR ABILITY TO ABSORB NEW MEXICAN PAPER. THEY CITED THE RELATIVELY SMALL PARTICIPATION OF U.S. BANKS IN THE RECENT ONE BILLION EURODOLLAR LOAN TO PEMEX AS A REFLECTION OF U.S. BANKS' CONCERNS. THE UNCERTAINTY AS TO WHICH GOM AGENCIES WILL BE AGGREGATED WITH THE CENTRAL GOVERNMENT COUPLED WITH THE POTENTIAL PERSONAL LIABILITY OF DIRECTORS IN CASE OF VIOLATING 12 USC 84 HAS REPORTEDLY CAUSED U.S. BANKS TO REFUSE WHAT THEY CLAIM ARE OTHERWISE ATTRACTIVE CREDITS. THE BANKERS EXPRESSED CONCERNS (AND GOM OFFICIALS THREATEN) THAT DESIRABLE BUSINESS WILL GO TO EUROPEAN, JAPANESE AND CANADIAN BANKS. BANKERS FROM STATE-CHARTERED INSTITUTIONS SEEMED AS CONCERNED AS THOSE REPRESENTING NATIONAL BANKS. THEY ARGUE THAT ANY GUIDELINES APPLYING TO NATIONAL BANKS WOULD SOON BE ADOPTED BY THE EXAMINERS TO WHOM THEY ARE SUBJECT. SEVERAL SAID THEY LIMITED OFFICIAL USE

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WERE MANAGING THEIR PORTFOLIO AS IF THEY WERE SUBJECT TO 12 USC 84.

4. FINALLY, U.S. BANKERS INDICATED AN INCREASED INTEREST IN LENDING TO THE MEXICAN PRIVATE SECTOR. AMONG THE REASONS FOR THIS WERE: (A) THE PROFITS ARE HIGHER ON LOANS TO PRIVATE COMPANIES; (B) THE SPREADS ON LOANS TO THE PUBLIC SECTOR ARE DECLINING; AND (C) THE POTENTIAL FOR GROWTH IS MORE LIKELY TO BE IN THE PRIVATE SECTOR THAN IN THE PUBLIC SECTOR WHICH MAY NOT BE A NET NEW BORROWER AFTER 1980 OR 1981. IN CONNECTION WITH THE LAST POINT, SOME BANKERS EXPRESSED CONCERN ABOUT THE PROPOSED RULING BY THE COMPTROLLER BECAUSE IT COULD ERODE THEIR POSITION AS A LENDER TO THE PUBLIC SECTOR AND THEY WOULD BE DEPRIVED OF THE ROLL-OVER BUSINESS LATER ON (IN THE 1980'S) WHICH WOULD SEEM TO BE SAFE IF NOT PARTICULARLY PROFITABLE. LUCEY

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